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International Association of Assessing Officials



Indiana County Assessors Association
Indiana Township Assessors Association
Association of Indiana Counties

July 27, 2010

Mr. Barry Wood, Assessment Director
Indiana Department of Local Government Finance
100 North Senate Avenue, N 1058(B)
Indianapolis, IN 46204

RE: St. Joseph County Ratio Study
2010 pay 2011

Dear Mr. Wood:

St. Joseph County is composed of approximately 120,000 real property parcels, of which more than 100,000 are residential. The 2010 Ratio Study reflects the trends in market value by property class, township, and neighborhood revealing an overall negative effect on assessments.

The study was conducted using sales data from January 1, 2009 through March 1, 2010, which our Sales Disclosure Department verified for validity. Due to foreclosures having a high impact in some neighborhoods, every attempt was made to use distressed sales to reflect the market decline in all areas. Parcel data was first stratified by property class type and township, then sub-stratified by sub-class code and neighborhood. Some areas received additional stratification by grade and condition, as these were key elements of market value in the given areas. This was done at the request of the Assessor, the Appeals Department, local Business Associations, and the City of South Bend as noted in the Annual Adjustment Narrative, and not as a matter of systemic sales chasing.

Once the sales data was stratified, we researched and trimmed the outliers, applied factors, and calculated the 2010 pay 2011 real property assessments contained in the attached workbook. The section below provides additional information for your analysis of our adjustments.

Annual Adjustment Narrative

I. APPEALS:

While this office focused on on-time billing for 2009 pay 2010, the Appeals Department was busy preparing approximately 4,000 appeals that were filed for 2008 pay 2009 by December 30, 2009. Several “hot spots” were identified and, as a matter of defending all assessment increases over 5%, this office reviewed the data and prepared worksheets for utilization by the Appeals Department and the PTABOA. These worksheets assisted in resolving many of the appeals at the preliminary conference level, and in making other changes noted herein.

II. IMPROVED RESIDENTIAL:

Clay Township – NC #7103048 - Due to a 40% appeal rate for 2008, we reviewed the ratio study and determined that sub-stratification was necessary. This analysis revealed that two subdivisions, both with custom homes, were selling at different market rates - ranging from a 1.16 increase in Woodland Hills to a 1.61 increase in Shamrock Hills. This led us to separate the Woodland Hills subdivision into its own neighborhood (#7103061) for 2010 pay 2011, with a market factor base of 1.17 (1.01 x 1.16).

NC #7103082 - We also reviewed sales near the Eddy Street Commons project for appellants in the Cherokee Drive area. The 2008 sales of Grade D, Fair Condition properties near this Notre Dame/City of South Bend mixed use project resulted in the increased valuation of Grade C, Average Condition homes several miles away where few sales had occurred. The impact was such that the Grade C home sales had a (2009) median ratio of 1.468, while the Grade D home sales median ratio was .898 when the data was sub-stratified for analysis. This neighborhood had only 4 sales for the 2010 Ratio Study; therefore, all AV changes are due to appeals and/or physical changes.

Madison Township – With only 1 valid sale in 2009, this township was studied with 2008 time-adjusted sales as well. Due to the downturn in the economy we chose not to use sales from 2005 through 2007, as they would potentially have undue influence over this class of 279 parcels. The study showed no need for a change in value in the township, and the 3 valid sales from 2008 included in this study reflect the stagnation of the market. However, the PRD remains at .975 by combining the 2 years, which is acceptable when the data passes the Spearman-Rank test for vertical equity.

Portage Township – NC #7126296 - At the request of the City of South Bend and their consultants, Crowe-Horwath, we reviewed the decline in Portage Township's AV caused by the high foreclosure/short sale rate of 2008. Neighborhood #7126296 (with over 2,000 parcels) included a mixture of large, historic Grade A/B two-story homes as well as small, one-story Grade C/D homes. We sub-stratified and analyzed

the 2008 sales data and determined that the historic homes should have been spared the negative influence of smaller homes in foreclosure. Based on the 2008 sales median of .82 revealed in this analysis, an additional factor of 1.22 was applied to the historic properties. No other trending was required based on 2009 sales.

NC #7126346 - We re-stratified another area in Portage Township to reflect the Effective Year of Construction. Nineteen parcels from NC #7126347 and two parcels from NC #7126338 were moved to NC #7126346 to reflect re-platted parcels and 21st century construction around the Notre Dame Campus and Eddy Street Commons.

NC #7125069, 7125071, 7126487 through 7126591 – The foreclosure rate continued to be very high in 2009 (averaging 1.8% of all active properties). Many homes which were formerly owner-occupied have been sold as rentals and/or for rehabilitation purposes, which is reflected by a change in the parcel's neighborhood number. These Rental Neighborhoods use the GRM for valuation, and properties sold as rentals were not selected for this study.

Union Township – NC #7127015 & NC #7128011 - Only six valid sales occurred in this township during the study period with a median ratio of 1.63 in the raw data, indicating an *overassessment* of properties. All sales were reviewed a second time for potential inclusion in the report, but none were valid transactions. We then added the 2008 valid sales (trended for time), which led to a combined median ratio of .95, indicating *underassessment* in the township. However, when listed in date sequence, the trend of declining values was obvious and this method of review discarded. The five sales in NC #7127015 and NC #7128011 were combined for trending purposes with a final median ratio of 1.0. The remaining sale did not fit the same criteria of these neighborhoods and was not used in the combined study. The PRD remains outside IAAO guidelines at 1.09 when final township sale is added; this is acceptable when the data passes the Spearman-Rank test.

NC- 7127004 - The new (2006 platted) development of the Morningside Subdivision was disastrously hit by the recession, in that only 15 of its 72 parcels were sold and/or built upon before the developer went into foreclosure. Fifty-seven lots remain unsold and unmaintained as agricultural land in developer's discount. This largely affects the desirability of the current homes. Seven of the Residential lots were found to have unsupported factors on the land, which were removed for 2010 pay 2011. The remaining eight parcels were returned to a 1.0 land factor for consistency in valuation and reflecting the marketability of the lots on March 1, 2010.

III. VACANT RESIDENTIAL:

Six townships had valid vacant residential sales. No trending was required.

IV. IMPROVED COMMERCIAL:

Clay Township – Property Class Code 456 – Trending in NC #7129456 was done to reflect the value of this parking lot using the contiguous parcels sold as part of the University Commons transfer.

Portage Township – Property Class Code 429 – The Other Retail sub-class

showed an increase in assessments of approximately 2% per sales in NC #71261268.

Portage Township – Property Class Code 447 – The Office, 1 and 2 story subclass was trended in NC #7126076, reflecting an overall increase in this category.

Portage Township – Property Class Code 499 –

Centre Commercial – NC # 7102014 – This neighborhood had a number of appeals for 2008, many brought to our attention by the local Business Association. The re-analyzed data indicated that the factor of 3.13 was too high, and many appeals were resolved by applying a 2.10 market factor to calculate a proposed value.

German Township – NC #7109007 – This area had erroneously received a market factor for 2008 based upon only one sale. This factor has been returned to 1.0 for 2010 pay 2011.

Liberty/Lincoln/Olive Townships – Local businesses under appeal requested a review of the Combined 2008 trending. The analysis revealed that applying a market factor of 1.08 would have been more accurate for valuation, and was used by the Appeals Department and PTABOA in determining proposed values.

V. VACANT COMMERCIAL:

Portage Township – Only 4 vacant sales were valid for this study. No change in value was indicated when examined with the 2008 sales; therefore, all commercial vacant land in the county was compared using MLS and Marshall & Swift data and found to be acceptably valued for assessment.

VI. IMPROVED INDUSTRIAL:

Combined Townships – All townships in the county were combined for this category. With only 1 sales each in German, Greene, Lincoln, and Penn Townships some medians and PRD's are outside IAAO Standards at the township level. When combined with the 4 sales from Portage Township, however, the Improved Industrial data meets the standards required.

VII. VACANT INDUSTRIAL:

There were no valid sales of Vacant Industrial parcels in the county. The majority of parcels in this class were either sold or purchased by the City of South Bend Redevelopment Commission.

VIII. AGRICULTURAL:

Union Township – NC #7127002 – This neighborhood received a market factor of 1.51 on Improvements for 2009. This error was discovered just prior to tax billing. AV's were re-calculated and a mass 133 – Correction of Error sent to the auditor for the 452 parcels affected, and the factor was reset to 1.0 for 2010 pay 2011.

IX. GOLF COURSES:

We had anticipated using a vendor to acquire the Income Data for the 2010 Golf Course assessments, but did not have a contract signed and approved by April 15th. On June 15, 2010, we sent letters and Data Collection forms for 3 year Income Data to all golf courses in the county. To date, six golf courses have replied; Morris Park, Robin Hood, and Whispering Pines have sent Income Data, while Juday Creek and South Bend Country Club are gathering the data for submission. Kelly Golf has not been in operation (the lessee has left the area with all income records and no forwarding information) and is up for sale per Joseph Kelly.

Please review the attached ratio study and workbook, and notify us of the results at your earliest convenience. Thank you.

Respectfully,

Robin E. Ackerson
Chief Deputy, Compliance Division

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